



*United States Attorney  
Southern District of New York*

FOR IMMEDIATE RELEASE  
OCTOBER 24, 2003

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**FORMER HEDGE FUND MANAGER INDICTED**  
**BY U.S. IN TWO SECURITIES FRAUD SCHEMES**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced the unsealing of a three-count Indictment in Manhattan federal court today charging BURTON G. FRIEDLANDER, an investment adviser and former hedge fund manager, with investment adviser fraud and securities fraud.

The Indictment charges that between 1994 and 2002, FRIEDLANDER engaged in two separate fraudulent schemes involving funds he administered through a related entity called Friedlander Capital Management Corporation ("FCMC"). First, beginning in 1994, FRIEDLANDER allegedly solicited investors to "pool" their money along with money FRIEDLANDER purported to manage for other friends and family members. The profits earned on Pooled Fund investments would be prorated among investors, with FRIEDLANDER receiving a fee based on a percentage of those profits. Over time, FRIEDLANDER solicited approximately 10 investors to invest approximately \$6 million in the Pooled Fund, it was charged.

Each year from 1995 through 2001, FRIEDLANDER issued a "compilation report" to each Pooled Fund investor that was

supposed to reflect the performance of his or her investment for the preceding year. For each year, FRIEDLANDER allegedly reported that the Pooled Fund had made a substantial profit. In fact, the Pooled Fund began to lose money beginning in 1995. The compilation reports that were sent to investors by FRIEDLANDER, and which were supposed to have been prepared by the accounting firm KPMG, were allegedly bogus.

Moreover, the Indictment charges, beginning at least as early as 1998, FRIEDLANDER stopped investing the majority of funds that he received from investors in the Pooled Fund. These funds were instead commingled in an FCMC operating account, and were allegedly used by FRIEDLANDER to pay unrelated business and personal expenses, including personal legal fees, fees relating to the purchase of a condominium, boat docking and maintenance fees, and country club dues. Thus, although FRIEDLANDER consistently represented to investors and prospective investors that the Pooled Fund had positive returns and several million dollars in assets, in reality, the Pooled Fund had few assets other than the cash deposited by new investors and rapidly declined in value, according to the Indictment.

The second scheme charged in the Indictment relates to FRIEDLANDER's management of a hedge fund called Friedlander International Limited ("FIL"). FIL was opened to investors in 1998, and was placed into receivership in 2002. At one time, FIL purported to have more than \$100 million in assets under management.

The Indictment charges that, by 2000, FIL had become concentrated in securities issued by a single, thinly traded corporation, eNote.com, Inc. ("eNote"). As a result, the value of FIL, and the fees payable to FRIEDLANDER, became increasingly dependent on the value of the eNote securities, it was charged.

Beginning as early as August 2000, FRIEDLANDER fraudulently inflated the value of the eNote securities, and thus the value of FIL, in several ways, it was charged. Between August and December of 2000, FRIEDLANDER allegedly caused companies over which he exercised control to make substantial month-end purchases of eNote common stock, which had the effect of manipulating the stock price upward. In addition, in the Fall of 2000, FRIEDLANDER allegedly assigned inflated values to eNote warrants that he had "gifted" to FIL and that were not publicly traded. These warrant values were often several times higher than the trading price of eNote common stock, and were substantially higher than the values assigned by eNote to the same warrants, according to the Indictment. By allegedly fraudulently inflating the value of the eNote securities, FRIEDLANDER sought to encourage new investments in FIL, dissuade existing investors from leaving the fund, and justify additional investment advisory fees for himself.

In a related matter, the United States Securities and Exchange Commission today announced the filing of an amended civil Complaint in the United States District Court for the Southern District of New York, charging FRIEDLANDER and FCMC with

securities fraud relating to the Pooled Fund and FIL.

In addition, the Commodity Futures Trading Commission today announced the filing of a civil Complaint in the United States District Court for the Southern District of New York. The CFTC complaint charges FRIEDLANDER and FCMC with, among other things, operating a fraudulent commodities and securities pool.

FRIEDLANDER, 64, resides in Greenwich, Connecticut.

Mr. COMEY praised the efforts of the Federal Bureau of Investigation, and thanked the SEC and the Commodity Futures Trading Commission for their assistance in the investigation of this case. He said the investigation is continuing.

Assistant United States Attorney KATHERINE POLK FAILLA is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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